

## FUNCTION 550: HEALTH

This function covers all health spending except that for Medicare, military health, and veterans health. The major programs include Medicaid, the State Children's Health Insurance Program (S-CHIP), health benefits for federal retirees, the Food and Drug Administration, the Health Resources and Services Administration, the Indian Health Service, the Centers for Disease Control and Prevention, the National Institutes of Health, the Substance Abuse and Mental Health Services Administration, and the Occupational Safety and Health Administration.

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(\$ Billions)							
	1999 Actuals	2000	2001	2002	2003	2004	2005
<b>President's Budget:</b>							
Budget authority	142.2	158.6	170.6	181.2	195.5	211.4	228.7
Outlays	141.1	154.2	166.7	180.9	195.3	211.2	227.4
<b>OMB Baseline:</b>							
Budget authority	142.2	158.6	169.7	179.8	192.3	205.7	221.6
Outlays	141.1	154.0	166.0	178.7	191.4	205.0	220.0
<b>Budget compared to OMB Baseline:</b>							
Budget authority	---	---	1.0	1.4	3.3	5.7	7.1
Outlays	---	0.3	0.7	2.2	3.9	6.2	7.5

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### Baseline Spending

Under current law, spending in this function will increase at an average annual rate of 7.4 percent over the period 2000 to 2005.

- **Medicaid** spending, which totaled \$108.0 billion in 1999, or 77 percent of spending in this function, is projected to grow from \$116.1 billion in 2000 to \$169.8 billion in 2005, a 7.9 percent average annual growth rate.

### New Mandatory Spending Initiatives

- < The President's budget includes a **Health Insurance Initiative**, estimated to cost \$96 billion over ten years, with the following major provisions:
  - a major increase in the Medicaid and S-CHIP spending to allow these programs to cover the parents of enrolled children at the enhanced S-CHIP federal matching rate, costing \$76 billion over ten years;

- an increase in the maximum age of persons eligible for S-CHIP from 18 to 20, costing \$1.9 billion over ten years;
  - an option for states to give Medicaid coverage to legal immigrants who are pregnant women or children who entered the country after the enactment of welfare reform in August 1996 (welfare reform prohibited coverage for five years after entry) and a mandate for states to cover Supplemental Security Income (SSI) eligible disabled immigrants, costing \$6.5 billion over ten years;
  - a permanent extension of the current mandate on states to provide one year of Medicaid coverage to persons who would otherwise lose their coverage due to an increase in earnings, costing \$4.3 billion over ten years (this mandate expires in 2001 under current law);
  - a series of administrative steps to promote more enrollment in Medicaid and S-CHIP by currently eligible but not enrolled children, costing about \$5.5 billion over ten years; and
  - a new tax credit, which is non-refundable, of 25 percent of the premium cost for persons electing COBRA continuation coverage (COBRA allows workers who have left their jobs to continue under the former employers' health plan for up to 18 to 36 months, at a premium equal to 102 percent of the average cost of the insurance), costing \$10.3 billion over ten years in lost revenue.
- < The President proposes to reduce Medicaid spending by \$5.6 billion over ten years to partially offset the spending initiatives, including the following:
- The budget would decrease federal matching payments for state Medicaid administrative expenses by \$2.0 billion over five years.
  - States would be allowed to use the Medicaid drug rebate program on generic as well as brand name drugs, saving \$0.3 billion over five years.

#### Discretionary health programs

- < In function 550, discretionary budget authority would increase from \$33.8 billion in 2000 to \$35.0 billion in 2001, an increase of 3.4 percent.
- < The President's budget requests \$18.8 billion for the **National Institutes of Health** (NIH), an increase of \$1 billion, or 5.6 percent, over 2000 funding of \$17.8 billion.
- With this increase, NIH will have grown at an average annual rate of 10.2 percent since 1997.

- < The President proposes funding for the **Health Care for the Uninsured** of \$125 million in 2001, an increase of \$100 million over the 2000 spending level for this new program.
  - The program does not provide health insurance for the uninsured but is intended to improve the systems of care for the uninsured and low income.
- < Overall funding for the **Food and Drug Administration** would increase \$138 million in 2001 to \$1.2 billion from the 2000 level of \$1.1 billion, a 13 percent increase.
  - The budget proposes \$19.5 million in new user fees to fund FDA, on top of the \$183 million in fees authorized under current law.
- < Funding for **Indian health** would increase \$229 million in 2001 over the 2000 level of \$2.4 billion, to \$2.6 billion, a 9.6 percent increase.
- < The budget proposes to reduce **health professions** funding that is not targeted at diversity initiatives from \$209 million in 2000 to \$115 million in 2001.
- < The budget requests \$265 million for the **Public Health and Social Services Emergency Fund**, down from \$414 million in 2000.
- < The President also proposes to remove the delay in obligations included in HHS's 2000 appropriation, increasing 2000 outlays by \$0.5 billion and decreasing 2001 outlays by an identical amount.

